

VZCZCXRO7473
PP RUEHMA RUEHPA
DE RUEHUJA #1050/01 1631031
ZNR UUUUU ZZH
P 121031Z JUN 09
FM AMEMBASSY ABUJA
TO RUEHC/SECSTATE WASHDC PRIORITY 6286
INFO RUEHOS/AMCONSUL LAGOS PRIORITY 1506
RUEHGB/AMEMBASSY BAGHDAD 0375
RUEHZK/ECOWAS COLLECTIVE
RHEBAAA/DEPT OF ENERGY WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC

UNCLAS SECTION 01 OF 03 ABUJA 001050

SENSITIVE
SIPDIS

DEPT PASS USAID FOR AFR/SD
DEPT PASS TO USTR FOR AGAMA
BAGHDAD FOR DUNDAS MCCULLOUGH
USDOE FOR GEORGE PERSON
TREASURY FOR PETERS, IERONIMO
DOC/ITA/OA FOR KBURRESS, OIO FOR ANESA AND DHARRIS

E.O. 12598: N/A

TAGS: [EPET](#) [SENV](#) [ECON](#) [EINV](#) [ENRG](#) [EAID](#) [PGOV](#) [NI](#)
SUBJECT: NIGERIA-US ROUNDTABLE ON ENERGY AND CLIMATE CHANGE SETS
STAGE FOR FURTHER COOPERATION

SENSITIVE BUT UNCLASSIFIED - NOT FOR DISTRIBUTION OUTSIDE OF THE
U.S. GOVERNMENT

11. (SBU) Summary. From May 21-22 2009, a U.S. delegation headed by Douglas Hengel, Deputy Assistant Secretary for Economic, Energy and Business Affairs of the U.S. Department of State, held roundtable discussions on energy and climate change issues with counterparts from the Government of Nigeria (GON). The U.S. delegation, which also included Department of Energy and OES/Office of Global Change representatives, heard presentations on GON reform efforts underway in the oil and gas sector, which aim to transform the Nigerian National Petroleum Corporation (NNPC) into a more commercially oriented organization. GON officials also briefed the U.S. delegation on Nigeria's power sector reform, aimed at generating 6,000 Megawatts of by December 2009. Nigerian oil and gas sector officials repeatedly expressed their desire to know how the new U.S. Administration's energy policy will affect U.S. demand for Nigerian oil and gas. Nigerian Minister of Environment John Odey stated that the impact of climate change on Nigeria is real and expressed his country's desire to receive assistance in developing appropriate adaptation and mitigation measures. The GON asked that the U.S. coordinate closely with Nigeria and other oil and gas producing countries in the Copenhagen round of negotiations on climate change. The U.S. Delegation, while pointing out the unsustainable nature of current levels of global fossil fuel consumption and the Obama Administration's determination to find green energy solutions, assured GON counterparts that U.S. and world demand for Nigerian hydrocarbons will remain high for the foreseeable future. The delegation stated that the U.S. is in a listening mode on climate change issues. Notably, Nigerian officials stated that they did not/not want to take on any obligations to reduce greenhouse gas emissions; although they recognized that it is very much in the country's interest to reduce gas flaring and deforestation. Although Nigerian hosts took a "with us or against us" approach on their efforts to restructure the oil and gas sector, they were in fact themselves taking another look at related legislation and remain open to U.S. technical assistance - which can help ensure sector stability and rational commercial terms for U.S. and other companies in the sector. Both sides agreed to continue the dialogue on energy and climate policies. The U.S. Mission will continue to engage the NNPC and Ministries of Petroleum Resources, Power and the Environment as Nigeria refines and implements reforms in the oil and gas and power sectors while it works to be more proactive on climate mitigation and adaptation. End Summary.

Energy and Climate Roundtable Held in Abuja

12. (SBU) From May 21- 22 2009, a U.S. delegation headed by Doug Hengel, Deputy Assistant Secretary for Economic, Energy and Business Affairs of the U.S. Department of State, and including representatives from the Bureau of Oceans, Environment and Science and the Department of Energy, and held roundtable discussions on energy and climate issues with counterparts from the Government of Nigeria (GON). GON officials led by Emmanuel Egbogah, Special Adviser to President Yar'Adua on Petroleum Matters, and Mohammed Barkindo, Group Managing Director (GMD) of Nigerian National Petroleum Corporation (NNPC), and Minister for Power Rilwan Babalola gave presentations on ongoing efforts to reform Nigeria's oil and gas sector and make progress on electricity supplies. Minister of Environment John Odey also attended the roundtable.

13. (SBU) During his welcome address, the NNPC's GMD praised the timeliness of the roundtable in light of the Obama Administration's new policies on energy and climate change. Given Nigeria's dependence on revenues from its oil and gas sector, Barkindo emphasized his country's need to understand the likely consequences of the new policy on U.S. demand for Nigerian oil and gas. He implored the U.S. to explore options to minimize the impact on Nigeria. Barkindo stated that Nigeria and some other developing countries would not have signed on to the Kyoto Protocol, if it had not been for the positive commitment by the USG in the course of Kyoto discussions. (Note: Barkindo was co-chair of the Nigerian delegation during Kyoto negotiations. End Note). He argued that developed countries bear the greatest historical responsibility for emissions and should be responsible for the solution, and that developing countries should have no/no obligations under a Copenhagen accord. US DEL pointed out that if developing nations do

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not/not reduce emissions then emissions will rise even if developed economies reduce theirs to zero.

14. (SBU) DAS Hengel stressed the unsustainability of the current trajectory of fossil fuel consumption and the determination of the U.S. to find lower-carbon solutions. He noted that the U.S. had introduced domestic legislation on climate change, which will have an impact on U.S. negotiations towards a Copenhagen agreement. The U.S. delegation also emphasized that the U.S. is currently in a listening mode on climate change as it puts together its position for Copenhagen.

15. (U) Minister of Environment John Odey said that the impact of climate change is real and that his ministry would like to develop and deploy appropriate mitigation and adaptation measures. He wondered aloud whether there will be assistance for developing countries to implement such measures. It was clear that Nigerian officials at the roundtable realized that their country has much to gain from reducing gas flaring and slowing and reversing deforestation.

Oil and Gas Reform -----

17. (SBU) Barkindo described the Petroleum Industry Bill (PIB), under consideration by the Nigerian National Assembly, and the Gas Master Plan, which has been approved by the Federal Executive Council. Both he and Special Adviser Egbogah projected "you're either with us or against us" on current restructuring efforts. Barkindo stated that the PIB will restructure the Nigeria National Petroleum Corporation, giving it a more commercial orientation. He noted that the sector will be "fully deregulated" to encourage joint ventures and investment in the upstream and downstream markets and to introduce operational efficiency and effectiveness. Barkindo vowed to fight the "cabals" that are resisting the proposed deregulation of the petroleum downstream sector, which will lead to, among other things, the withdrawal of government subsidies to importers of refined fuel. (Note: Nigerians have been enduring long lines at gas stations due to shortage of gasoline and diesel. Barkindo attributed this shortage to deliberate sabotage of the market system by gasoline importers and distributors. End Note).

18. (SBU) Dr. Emmanuel Egbogah, Special Adviser to President Yar'Adua

on Petroleum Matters, also briefed the U.S. delegation on the ongoing reform in the Nigerian oil and gas sector. He said that the current reforms will introduce structural, legislative, commercial and operational changes to bring the industry in line with global standards. He emphasized that the reforms will transform the NNPC into an integrated, commercial oil and gas corporation driven by revenue generation and profits. This will enable the corporation to raise funds for its operations, according to Egbogah. Under the reform plan the NNPC will be broken into the following entities:

-- National Petroleum Directorate - will have responsibility for policy initiation and formulation;

-- National Petroleum Inspectorate - an autonomous stand alone technical regulator and will replace the current Department of Petroleum Resources (DPR);

-- National Petroleum Assets Management Agency - will manage petroleum assets and sets costs and commercial regulations. It will replace the National Petroleum Investment & Management Services (NAPIMS);

-- Petroleum Products Regulatory Authority - will regulate the commercial aspects of the downstream sector of the industry; and

-- Commercial Center - will manage commercial outlets for the sale of petroleum products and would compete both locally and internationally.

Note: Although at the roundtable Egbogah resisted comments that certain provisions of the PIB and separate local content legislation could hinder investment and production, he clearly also recognizes that incentives and other conditions truly do have to adhere to global standards to attract much-needed investment. During his presentation he pledged that all stakeholders would be consulted on

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the legislative proposals. Following the conclusion of the roundtable, Egbogah approached Embassy Industries and Infrastructure Officer to say he was eager to meet to discuss the way forward. End Note.

Power Sector Reforms

¶9. (SBU) Dr. Lanre Babalola, Minister of Power, said that the GON plans to generate 6,000 megawatts of power by December 2009. He mentioned that as part of its reform agenda, the GON will rehabilitate old power plants and diversify its power production using gas, coal, hydro and solar sources. Babalola added that the GON will generate an additional 4,800 megawatts of new capacity with the completion of the National Integrated Power Project (NIPP), which will bring total supply to more than 10,000 megawatts by 2011. In side conversations, it was clear that GON authorities will need to exercise flexibility so that distributed/off-grid generation is increasingly part of the power mix, along with renewables.

COMMENT

¶10. (SBU) The two day dialogue between the U.S. and Nigeria on energy and climate change issues provided a platform for exchange of ideas and possible areas of future collaborations. The GON's evolving oil and gas reform agenda is aimed at liberalizing the gas and oil industry, which Nigeria needs in order to better manage its petroleum resources and meet domestic and export demands for its petroleum products. At the same time, the GON needs help to ensure that legislation before the National Assembly promotes reform and doesn't hurt sector productivity. To that end, NNPC has provided the Assembly with recent memoranda on both the PIB and the local content legislation-but there is still much work to be done. GON officials were clearly concerned about the impact of new U.S. green energy policies on demand for Nigeria's oil and gas exports. The GON's position for the Copenhagen climate change negotiations is evolving but officials certainly hope this round will yield offsets which will help them address gas flaring and possibly deforestation

as well. Mission will continue to engage concerned GON entities as it refines and fine tunes its oil and gas sector reform as well as its positions for negotiations on climate change at Copenhagen.

¶11. (U) The Delegation has cleared this message.

¶12. (U) This cable has been cleared by Consulate Lagos.

SANDERS